

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Revenue Deficiency
Test Year Ended December 31, 2012

	(A)	(B)
1. Rate base		\$229,754,235
2. Operating income under present rates		14,307,070
3. Rate of return under present rates		6.23%
4. Staff recommended rate of return		<u>7.15%</u>
5. Operating income requirement		\$16,427,428
6. Operating income under present rates		<u>14,307,070</u>
7. Income deficiency/(excess)		\$2,120,358
8. Revenue and income taxes		<u>1,463,323</u>
9. Revenue deficiency/(excess)		<u><u>\$3,583,681</u></u>

Sources:

- Line 1: Schedule 2, page 1
- Line 2: Schedule 3, page 1
- Line 4: Page 3, herein
- Line 8: Tax factor developed on Page 2, herein

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Revenue Conversion Factor
Test Year Ended December 31, 2012

(A)	(B)
1. Revenue	1.00000
2. Less: Regulatory tax @ .3%	0.00300
3.	<u>0.99700</u>
4. Net for State income tax	0.99700
5. State income taxes @ 8.7%	0.08674
	<u>0.91026</u>
6. Net for Federal income taxes	0.91026
7. Federal income taxes @ 35%	0.31859
	<u>0.00300</u>
8. Regulatory tax	0.00300
9. State income tax	0.08674
10. Federal income tax	0.31859
	<u>0.40833</u>
11. Total taxes	0.40833
	<u>0.69013</u>
12. Tax gross-up factor	<u>0.69013</u>

Source:

Delmarva Schedule No. 5, Ref. Part VII, Para. A

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Capital Structure and Rate of Return
Test Year Ended December 31, 2012

	Capital Structure	Cost	Weighted Cost
(A)	(B)	(C)	(D)
1. Long-term debt	50.78%	4.91%	2.49%
2. Common equity	<u>49.22%</u>	9.475%	<u>4.66%</u>
3. Total	<u><u>100.00%</u></u>		<u><u>7.15%</u></u>

Sources:
Staff witness David Parcell

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution

Rate Base

Test Year Ended December 31, 2012

(A)	As Filed (B)	Commission Staff	
		Adjustments (C)	As Adjusted (D)
1. Gas plant in service	\$502,357,753	(\$38,885,275)	\$463,472,478
2. Less: depreciation reserve	198,305,735	(1,548,325)	196,757,410
3. Net plant in service	304,052,018	(37,336,950)	266,715,068
4. CWIP	9,095,071	(9,095,071)	0
5. Working capital	12,466,686	389,244	12,855,930
6. Plant materials & supplies	14,419,211	(1,456,248)	12,962,963
7. Prepaid balances	17,641,760	(1,166,981)	16,474,779
8. Deferred federal and state taxes	(81,832,551)	4,645,194	(77,187,358)
9. Deferred investment tax credit	(489,224)	(28,272)	(517,496)
10. Customer deposits	(3,341,729)	(300,300)	(3,642,029)
11. Customer advances		(1,051)	(1,051)
12. Miscellaneous rate base	2,659,092	(565,664)	2,093,428
13. Total rate base	<u>\$274,670,334</u>	<u>(\$44,916,099)</u>	<u>\$229,754,235</u>

Sources:

Column B: Schedule (JCZ-S)-1 and Peterson workpapers

Column C: Page 2, herein

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Rate Base Adjustments
Test Year Ended December 31, 2012

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Summary Average v. Year-End		Summary Other Rate Base Adj.				Summary of Rate Base Adjustments
1. Gas plant in service			(\$15,888,399)		(\$22,996,876)				(\$38,885,275)
2. Less: depreciation reserve			(4,093,177)		2,544,852				(1,548,325)
3. Net plant in service		\$0	(\$11,795,222)	\$0	(\$25,541,728)	\$0	\$0	\$0	(\$37,336,950)
4. CWIP			2,721,379		(11,816,450)				(9,095,071)
5. Working capital			0		389,244				389,244
6. Plant materials & supplies			(1,456,248)		0				(1,456,248)
7. Prepaid balances			(1,152,467)		(14,514)				(1,166,981)
8. Deferred federal and state taxes			1,974,410		2,670,784				4,645,194
9. Deferred investment tax credits			(28,272)		0				(28,272)
10. Customer deposits			(300,300)		0				(300,300)
11. Customer advances			(1,051)		0				(1,051)
12. Miscellaneous rate base			38,272		(603,936)				(565,664)
13. Total rate base		\$0	(\$9,999,500)	\$0	(\$34,916,600)	\$0	\$0	\$0	(\$44,916,099)

Sources:
Pages 2a and 2b, herein

DELMARVA POWER & LIGHT COMPANY
Delaware Gas Distribution
Adjustments to Reflect Average Rather Than Year-End Rate Base
Test Year Ended December 31, 2012

(A)	Average Rate Base (B)	Amort of Refinancing (C)	OPEB Tax Subsidy (D)	Reverse Depreciation On Y-E Plant (E)	Bloom Elimination (F)	(G)	(H)	Summary of Average v. Year-End (I)
1. Gas plant in service	(\$15,637,626)				(\$250,773)			(\$15,888,399)
2. Less: depreciation reserve	(3,864,404)			(\$227,174)	(1,599)			(4,093,177)
3. Net plant in service	(\$11,773,222)	\$0	\$0	\$227,174	(\$249,174)	\$0	\$0	(\$11,795,222)
4. CWIP	2,721,379							2,721,379
5. Working capital	0							0
6. Plant materials & supplies	(1,456,248)							(1,456,248)
7. Prepaid balances	(1,152,467)							(1,152,467)
8. Deferred federal and state taxes	1,989,969	(13,139)	(2,421)					1,974,410
9. Deferred investment tax credits	(28,272)							(28,272)
10. Customer deposits	(300,300)							(300,300)
11. Customer advances	(1,051)							(1,051)
12. Miscellaneous rate base	0	32,319	5,953					38,272
13. Total rate base	(\$10,000,212)	\$19,180	\$3,533	\$227,174	(\$249,174)	\$0	\$0	(\$9,999,500)

Sources:

Columns B,C,D,F: Pages 3-6, herein

Column E: Delmarva Schedule (JCZ-S)-19, Adj. 17

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Rate Base Adjustments
Test Year Ended December 31, 2012

(A)	Reliability Additions (B)	AMI Additions (C)	CWIP (D)	Credit Facility (E)	Cash Working Capital (F)	Rate Case Expense (G)	Capitalized Payroll (H)	Adjustments This Page (I)
1. Gas plant in service	(\$15,167,530)	(\$8,058,013)					\$228,667	(\$22,996,876)
2. Less: depreciation reserve	3,391,400	(846,548)						2,544,852
3. Net plant in service	(\$18,558,930)	(\$7,211,465)	\$0	\$0	\$0	\$0	\$228,667	(\$25,541,728)
4. CWIP		1,136,366	(12,952,816)					(11,816,450)
5. Working capital					389,244			389,244
6. Plant materials & supplies								0
7. Prepaid balances					(14,514)			(14,514)
8. Deferred federal and state taxes	1,822,678	676,650				171,456		2,670,784
9. Deferred investment tax credits								0
10. Customer deposits								0
11. Customer advances								0
12. Miscellaneous rate base				(182,203)		(421,733)		(603,936)
13. Total rate base	(\$16,736,252)	(\$5,398,449)	(\$12,952,816)	(\$182,203)	\$374,730	(\$250,277)	\$228,667	(\$34,916,600)

Sources:

Column B: Delmarva Schedule (JCZ-S)-11, Adj. 9
Column C: Delmarva Schedule (JCZ-S)-13, Adj. 11
Column D: Adjustment to eliminate all CWIP

Column E: Delmarva Schedule (JCZ-S)-17, Adj. 15
Column F: Delmarva's response to PSC-RR-10 and page 7, herein
Column G: Delmarva Schedule (JCZ-S)-4, Adj. 2

Column H: Schedule 3, p. 5

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Average Rate Base Adjustment
Test Year Ended December 31, 2012

(A)	Average (B)	Year-End As Filed (C)	Adjustment (D)
1. Gas plant in service	\$463,881,520	\$479,519,146	(\$15,637,626)
2. Less: depreciation reserve	196,761,270	200,625,674	(3,864,404)
3. Net plant in service	<u>\$267,120,250</u>	<u>\$278,893,472</u>	<u>(\$11,773,222)</u>
4. CWIP	12,952,816	10,231,437	2,721,379
5. Working capital	12,498,707	12,498,707	0
6. Plant materials & supplies	12,962,963	14,419,211	(1,456,248)
7. Prepaid balances	16,489,293	17,641,760	(1,152,467)
8. Deferred federal and state taxes	(76,414,469)	(78,404,438)	1,989,969
9. Deferred investment tax credit	(517,496)	(489,224)	(28,272)
10. Customer deposits	(3,642,029)	(3,341,729)	(300,300)
11. Customer advances	(1,051)	0	(1,051)
12. Miscellaneous rate base	<u>0</u>	<u>0</u>	<u>0</u>
13. Total rate base	<u><u>\$241,448,984</u></u>	<u><u>\$251,449,196</u></u>	<u><u>(\$10,000,212)</u></u>

Sources:

Delmarva's response to PSC-RR-7 Attachment and Peterson workpapers

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution

Average v. Year-End Amortization of Refinancing

Test Year Ended December 31, 2012

	Average	Year-End	Adjustment
(A)	(B)	(C)	(D)
1. Amortizable balance	\$2,063,660	\$2,031,341	\$32,319
2. Deferred state income taxes	(179,538)	(176,727)	(2,811)
3. Deferred federal income taxes	(659,443)	(649,115)	(10,328)
4. Net amortizable balance	<u>\$1,224,679</u>	<u>\$1,205,499</u>	<u>\$19,180</u>

Sources:

Delmarva Schedule (JCZ-S)-15, Adj. No. 13, page 8

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution

Average v. Year-End Tax on OPEB Medicare Tax Subsidy

Test Year Ended December 31, 2012

	Average	Year-End As Filed	Adjustment
(A)	(B)	(C)	(D)
1. Amortizable balance	\$29,768	\$23,815	\$5,953
2. Deferred state income taxes	(2,590)	(2,072)	(518)
3. Deferred Federal income taxes	(9,513)	(7,610)	(1,903)
4. Net amortizable balance	<u>\$17,666</u>	<u>\$14,133</u>	<u>\$3,533</u>

Sources:

Delmarva Schedule (JCZ-S)-18 Adj. No. 16

DELMARVA POWER & LIGHT COMPANY
Delaware Gas Distribution
Bloom Elimination - Average v. Year-End Adjustment
Test Year Ended December 31, 2012

(A)	Test Year Average (B)	Year-End As Filed (C)	Adjustment (D)
1. Plant in service	\$136,163	\$386,936	(\$250,773)
2. Accumulated depreciation	662	2,261	(1,599)
3. Net plant in service	\$135,501	\$384,675	(\$249,174)
4. Deferred tax reserve	(78,195)	(78,195)	0
5. Rate base - Bloom	\$57,306	\$306,480	(\$249,174)

Sources:

Column B: Delmarva's response to PSC-RR-40 Attachment and Peterson work paper
Column C: Delmarva's Schedule (JCZ-S)-12, Adj. 10

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
 Cash Working Capital Adjustment
 Test Year Ended December 31, 2012

(A)	Staff Adjustments (B)	CWC Factor (C)	Impact on CWC (D)
1. O&M expenses	(\$2,042,263)	0.0729	(\$148,881)
2. Taxes other than income	(40,045)	0.1402	(5,614)
3. SIT	1,750,481	0.2205	385,981
4. FIT	6,429,477	0.0116	74,839
5. Interest expense	(1,118,411)	(0.0741)	82,919
6. Adjustment to cash working capital			\$389,244

Sources:

Delmarva Schedule (JCZ-S)-20
 Schedule 3, page 1 and Peterson Workpapers

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Operating Income Under Present Rates
Test Year Ended December 31, 2012

(A)	As Filed (B)	Commission Staff	
		Adjustments (C)	As Adjusted (D)
1. Operating revenues	\$72,045,730	(\$82,365)	\$71,963,365
2. O&M expenses	36,222,614	(2,042,263)	34,180,351
3. Depreciation and amort	14,199,706	(1,500,268)	12,699,438
4. Taxes other than income	4,901,374	(40,045)	4,861,329
5. Deferred FIT	8,661,433	122,324	8,783,757
6. Deferred SIT	2,358,142	(1,036,387)	1,321,755
7. Net ITC adjustment	(6,091)	(3,928,965)	(3,935,056)
8. Interest on customer deposits	3,977	0	3,977
9. State income taxes	(1,495,114)	1,439,633	(55,481)
10. Federal income taxes	(5,491,527)	5,287,752	(203,775)
11. Total operating expenses	<u>\$59,354,514</u>	<u>(\$1,698,219)</u>	<u>\$57,656,295</u>
12. Operating income	\$12,691,216	\$1,615,854	\$14,307,070
13. AFUDC	<u>276,786</u>	<u>(276,786)</u>	<u>0</u>
14. Net income - present rates	<u>\$12,968,002</u>	<u>\$1,339,068</u>	<u>\$14,307,070</u>

Sources:

Column B: Peterson work papers
Column C: Page 2, herein

DELMARVA POWER & LIGHT COMPANY
Delaware Gas Distribution
Operating Income Adjustments
Test Year Ended December 31, 2012

	(A)	(B)	(C)	Summary Page 2a (D)	(E)	Summary Page 2b (F)	(G)	(H)	Summary of Adjustments (I)
1. Operating revenues				(\$82,365)		\$0			(\$82,365)
2. O&M expenses				(1,924,169)		(118,094)			(2,042,263)
3. Depreciation and amort				(800,002)		(700,266)			(1,500,268)
4. Taxes other than income				(40,045)		0			(40,045)
5. Deferred FIT				122,324		0			122,324
6. Deferred SIT				(746,787)		(289,600)			(1,036,387)
7. Net ITC adjustment				(2,865,266)		(1,063,699)			(3,928,965)
8. Interest on customer deposits				0		0			0
9. State income taxes				981,533		458,100			1,439,633
10. Federal income taxes				3,605,158		1,682,594			5,287,752
11. Total operating expenses	\$0	\$0		(\$1,667,254)	\$0	(\$30,965)	\$0	\$0	(\$1,698,219)
12. Operating income	\$0	\$0		\$1,584,889	\$0	\$30,965	\$0	\$0	\$1,615,854
13. AFUDC				0		(276,786)			(276,786)
14. Net income - present rates	\$0	\$0		\$1,584,889	\$0	(\$245,821)	\$0	\$0	\$1,339,068

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Operating Income Adjustments
Test Year Ended December 31, 2012

	Reliability Closings	Average v. Year-End Rate Base	Payroll and Payroll Taxes	Capitalized Payroll	Incentive Compensation	Health Care Costs	Rate Case Expense	Summary This Page
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1. Operating revenues		(\$82,365)						(\$82,365)
2. O&M expenses		(198)	(\$300,475)	(\$433,679)	(\$808,072)	(\$310,059)	(\$71,686)	(1,924,169)
3. Depreciation and amort	(\$417,200)	(382,802)						(800,002)
4. Taxes other than income			(16,390)	(23,655)				(40,045)
5. Deferred FIT		122,324						122,324
6. Deferred SIT	(780,091)	33,304						(746,787)
7. Net ITC adjustment	(2,865,266)							(2,865,266)
8. Interest on customer deposits								0
9. State income taxes	816,388	(5,724)	27,567	39,788	70,302	26,975	6,237	981,533
10. Federal income taxes	2,998,582	(21,025)	101,254	146,141	258,220	99,079	22,907	3,605,158
11. Total operating expenses	(\$247,587)	(\$254,121)	(\$188,044)	(\$271,405)	(\$479,550)	(\$184,005)	(\$42,542)	(\$1,667,254)
12. Operating income	\$247,587	\$171,756	\$188,044	\$271,405	\$479,550	\$184,005	\$42,542	\$1,584,889
13. AFUDC								0
14. Net income - present rates	\$247,587	\$171,756	\$188,044	\$271,405	\$479,550	\$184,005	\$42,542	\$1,584,889

Sources:

Column B: Delmarva Schedule (JCZ-2)-11, Adj. 9
Columns C,D,E: Pages 3-5, herein
Column F: Delmarva's response to PSC-RR-29 Attachment

Column G: Delmarva Schedule (JCZ-S)-10, Adju. 8
Column H: Page 6, herein

DELMARVA POWER & LIGHT COMPANY
Delaware Gas Distribution
Operating Income Adjustments
Test Year Ended December 31, 2012

(A)	AMI Additions (B)	Credit Facilities (C)	(D)	(E)	(F)	Interest Synchronization (G)	AFUDC (H)	Summary This Page (I)
1. Operating revenues								\$0
2. O&M expenses		(\$118,094)						(118,094)
3. Depreciation and amort	(\$700,266)							(700,266)
4. Taxes other than income								0
5. Deferred FIT								0
6. Deferred SIT	(289,600)							(289,600)
7. Net ITC adjustment	(1,063,699)							(1,063,699)
8. Interest on customer deposits								0
9. State income taxes	350,524	10,274				97,302		458,100
10. Federal income taxes	1,287,469	37,737				357,388		1,682,594
11. Total operating expenses	(\$415,572)	(\$70,083)	\$0	\$0	\$0	\$454,690	\$0	(\$30,965)
12. Operating income	\$415,572	\$70,083	\$0	\$0	\$0	(\$454,690)	\$0	\$30,965
13. AFUDC	17,300						(294,086)	(276,786)
14. Net income - present rates	\$432,872	\$70,083	\$0	\$0	\$0	(\$454,690)	(\$294,086)	(\$245,821)

Column B: DPL Schedule (JCZ-S)-13, Adj. 11
Column C: DPL Schedule (JCZ-S)-17, Adj. 15

Column G: Page 7, herein
Column H: To eliminate all AFUDC

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Average v. Year-End - Income Adjustments
Test Year Ended December 31, 2012

(A)	Reverse Y-E Customer Adjustment (B)	Reverse Y-E Depreciation Adjustment (C)	Total (D)
1. Revenues	(\$82,365)		(\$82,365)
2. O&M expenses	(198)		(198)
3. Depreciation		(\$382,802)	(382,802)
4. Deferred state income taxes		33,304	33,304
5. Deferred federal income taxes		122,324	122,324
6. SIT @ 8.7%	(5,724)		(5,724)
7. FIT @ 35%	(21,025)		(21,025)
8. Net income adjustment	(\$55,418)	\$227,174	\$171,756

Sources:

Column B: Delmarva 12+0 Update WP #5 (excluding interruptible revenues)

Column C: Delmarva Schedule (JCZ-S)-19, Adj. 17

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Payroll and Payroll Tax Adjustment
Test Year Ended December 31, 2012

(A)	Local 1238 (B)	Local 1307 (C)	Management (D)	Total (E)
1. January	\$505,722	\$288,600	\$704,540	\$1,498,862
2. February	411,474	235,325	624,512	1,271,311
3. March	563,673	296,969	673,994	1,534,636
4. April	406,165	236,202	622,669	1,265,036
5. May	394,853	228,225	639,662	1,262,740
6. June	493,837	287,282	645,762	1,426,881
7. July	424,983	238,422	605,466	1,268,871
8. August	527,039	287,951	656,557	1,471,547
9. September	416,504	242,767	646,777	1,306,048
10. October	454,221	242,692	671,952	1,368,865
11. November	584,945	332,552	678,003	1,595,500
12. December	478,303	256,598	683,470	1,418,371
13. Pro forma payroll	\$5,661,719	\$3,173,585	\$7,853,364	\$16,688,668
14. Payroll as filed				16,989,143
15. Payroll expense adjustment				(\$300,475)
16. Payroll taxes @ 5.4546%				(16,390)
17. SIT @ 8.7%				27,567
18. FIT @ 35%				101,254
19. Net income adjustment				\$188,044

Sources:

Delmarva WP#4.1, Adjustment 3 and Delmarva's response to PSC-RR-27

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Capitalized Labor Cost Adjustment
Test Year Ended December 31, 2012

(A)	Total Labor Gas Dept (B)	Gas Labor Expense (C)	Expense Ratio (D)
1. 2008	\$13,611,287	\$9,493,456	69.75%
2. 2009	14,612,054	9,502,031	65.03%
3. 2010	14,641,766	9,866,116	67.38%
4. 2011	13,986,985	9,350,263	66.85%
5. 2012	15,816,155	11,178,246	70.68%
6. Five-year average expense ratio			67.94%
7. Test year expense ratio			<u>70.68%</u>
8. Difference			-2.74%
9. Test year labor cost allocated to Gas			<u>\$15,816,155</u>
10. Labor expense adjustment			(\$433,679)
11. Payroll taxes @ 5.4546%			(23,655)
12. SIT @ 8.7%			39,788
13. FIT @ 35%			<u>146,141</u>
14. Net income adjustment			<u>\$271,405</u>
15. Rate base adjustment (average)			<u>\$228,667</u>

Sources:

Delmarva's response to PSC-RR-28 Attachment

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
 Rate Case Expense Adjustment
 Test Year Ended December 31, 2012

(A)	(B)
External Legal and Cost of Capital expenses	
1. Docket No. 11-528 (electric)	\$280,472
2. Docket No. 10-237 (gas)	139,828
3. Docket No. 09-414 (electric)	<u>157,325</u>
4. Average	\$192,542
5. Amount as filed	<u>407,600</u>
6. Adjustment to claimed total rate case cost	(\$215,058)
7. Amortization period (years)	<u>3</u>
8. Rate case expense adjustment	(\$71,686)
9. SIT @ 8.7%	6,237
10. FIT @ 35%	<u>22,907</u>
11. Net income adjustment	<u><u>\$42,542</u></u>

Sources

Lines 1,2,3: Delmarva's response to PSC-RR-22 Attachment
 Line 5: Delmarva Schedule (JCZ-S)-4, Adj. 2

DELMARVA POWER & LIGHT COMPANY

Delaware Gas Distribution
Interest Synchronization Adjustment
Test Year Ended December 31, 2012

(A)	(B)
1. Adjusted rate base	\$229,754,235
2. Weighted cost of debt	<u>2.49%</u>
3. Pro forma interest expense	\$5,720,880
4. Interest expense as filed	<u>6,839,291</u>
5. Adjustment to interest expense	(\$1,118,411)
6. SIT @ 8.7%	97,302
7. FIT @ 35%	<u>357,388</u>
8. Net income adjustment	<u><u>(\$454,690)</u></u>

Sources:

Line 1: Schedule 2, page 1

Line 2: Schedule 1, page 3

Line 4: Delmarva Schedule (JCZ-S)-20, Adj. 18 & 19